1. Introduction
This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement supersedes the previous version dated 24 September 2020.

Trust law requires that the Trustee must exercise their powers of investment in the best of interest of members and beneficiaries. In exercising these powers, the Trustee has received advice and guidance from independent parties. Consultation has taken place with the Employer to ensure that the investment strategy followed properly accords with the Employer's attitude to risk.

The Scheme invests in a portfolio of gilts with 'Cash Flow Matching' as the keynote of the investment strategy; which is aligning the cash flows from Scheme assets i.e. the income and capital repayments at maturity from nominal and index linked gilts, against the expected cash flow profile of the Scheme liabilities.

It is intended that full investment strategy reviews should coincide with the finalisation of triennial actuarial valuations. The finalisation of the 2021 triennial Actuarial Valuation has triggered the latest re-balancing of the gilt portfolio, which was carried out in September 2022.

When making their investment decisions and reviewing this Statement, the Trustee obtained and considered the written advice of Lane Clark & Peacock (LCP), whom the Trustee reasonably believes to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. LCP is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

The Trustee holds the Scheme's assets on Trust. The Scheme is a registered pension scheme under the terms of Schedule 36 of the Finance Act 2004.

This statement does not conflict with the Trustee's powers of investment as set out in the Scheme's Trust Deed and Rules.

The Scheme's investment managers are also required to comply with this Statement.

2. Delegation
The overall responsibility for investment decisions continues to rest with the Trustee. An 'Investment Co-ordinator' independently monitors activity and developments on the UK gilt portfolio and reports to the Trustee and Actuarial Advisers regularly.

The responsibilities of the 'Investment Co-ordinator' are set out in an appendix to this document.

3. Day-to-Day Fund Management
The day day fund management of the assets is performed by a professional fund manager and custodian of gilt holdings in Barclays Stockbrokers. Barclays Stockbrokers are appointed on an 'execution only' basis and therefore only take instructions on which gilt stocks to hold, either directly from the Trustee Chairman, another appointed Trustee Director of the Scheme or more commonly dedicated individuals with delegated responsibility within Munich Re's Shared Accounting Function.
The Investment Co-ordinator carries out calculations when dis-investment or re-investment is required, in accordance with the recommendations of LCP.

The Trustee is satisfied that Barclays Stockbrokers have sufficient expertise and the experience necessary to carry out all aspects and core disciplines of fund management within the brief they have been given.

Transactions are reviewed by the Investment Co-ordinator to ensure that they have been carried out correctly and to review any fees incurred.

Transactions are reviewed by the Directors at each Trustee meeting.

4. Key Objectives of Setting Investment Strategy
The Trustee has set the following objectives:

- To acquire suitable assets and appropriate liquidity that will generate necessary income and capital growth to meet the cost of current and future benefits, which the Scheme provides.
- To ensure as far as possible that the Scheme’s assets meet arising liabilities.
- To ensure as far as possible that the Scheme’s investment strategy and related operation fully comply with up to date legislation and regulatory measures and requirements.
- To minimise the cost of investment transactions related to the Scheme as far as possible.
- To achieve optimum efficiency and simplicity within the operation of the investment strategy.
- To seek to bring the impact of investment risks on the portfolio as close to zero as possible and thereby reduce the need for the Employer to pay unbudgeted additional special contributions into the Scheme in future.

5. Risk Measurement and Management
The Trustee and Investment Coordinator consider the following risks:

i. Cash Flow Risk
   The risk of a short fall of liquid assets relative to the immediate liabilities; the Trustee and Investment Co-ordinator, together with advisers and administrators will manage cash flows taking into account the timing of future payments.

ii. Financial Mismatching Risk
   The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustee, Investment Co-ordinator and advisers, when appropriate, will manage these risks by monitoring the key characteristics and taking corrective action when required.

iii. Demographic Risk
   Demographic factors include the uncertainties surrounding mortality projections such as future improvements in mortality experience, and these will continue to be monitored in conjunction with the Scheme’s actuarial advisers.

iv. Manager Risk
   The failure of a fund manager to achieve the rate of investment return assumed by the Trustee; this issue is considered as part of the investment review procedures put in place. However, with the pre-determined nature of gilt portfolio and the historic and current security of the asset class, the Trustee considers that this risk has been substantially reduced. Careful consideration and consultation took place with the decision to invest the assets of the Scheme entirely in a UK gilt
portfolio, including a full assessment of the risks involved, and these were felt to be much less than using active or passive funds operated by outside parties.

v. Concentration Risk  
The risk that the performance of any single asset class or single investment that constituted a significant portion of the assets would disproportionately influence the Trustee’s core objectives. With the assets now being invested virtually 100% in gilts, the Trustee recognises that there is some exposure to Concentration Risk, but due to the nature and scope of gilts as an asset class, the Trustee considers that this is adequately mitigated.

vi. Counterparty Credit Risk  
The possibility of default of counterparty in meeting its obligations, again the Trustee acknowledges that whilst a gilt portfolio in isolation is a single counterparty, the nature, scope and characteristic of the asset class and the arrangements by which they are held is secure.

vii. Systemic Risk  
The risk connected to the possibility of failure of a company, business or organisation that manages the Scheme’s assets. The Trustee agreed that this risk is significantly reduced by using a gilt portfolio.

viii. Transition Risk  
The risk of incurring inappropriate costs in relation to the transition of assets of pension schemes; the Trustee mitigates this risk by eliminating unnecessary transition activity and by using specialist managers to implement transition of assets with the explicit aim of minimising costs. It also achieves the objective of grouping together separate transactions to achieve beneficial economies of scale.

ix. Custody Risk  
The risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefit of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodial default. The Trustee assesses and considers the actions by the custodian at outset and on an ongoing basis to mitigate “custody risk”. This risk was mitigated by adopting the strategy of placing assets, close to 100% in a UK gilt portfolio under separate custodial arrangements.

All of these risks, which the Trustee and Investment Co-ordinator monitor, are a potential threat to the success of a strategy, but with the strategy adopted the Trustee believes that they have been considered and countered, as far as reasonably possible.

6. Corporate Governance and ESG

i. Corporate Governance  
Since the Trustee’s policy is to invest entirely in gilts that have no rights attached to them, the Trustee does not need to have a policy in relation to the exercise of any rights. Similarly, the Trustee does not have a policy in relation to undertaking engagement activities in respect of these investments and does not require Barclays Stockbrokers to do so either.

ii. Financially material investment considerations  
The Trustee does not take into account environmental, social and governance issues (including but not limited to climate change) in the selection, retention and realisation of its investments.

iii. Non-financially material investment considerations  
The Trustee does not take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions, and has no plans to seek the views of the members on these matters.
7. Fees

The Trustee aims to keep fees to a minimum.

Barclays Stockbrokers is execution only therefore asset turnover costs are kept to a minimum. Investments and disinvestments are carried out only when required and on a maximum of a monthly basis to keep costs low.

Annual custody fees invoiced on an annual basis are reviewed in the market periodically. The latest such market review in 2020 confirmed that Barclays offered the most favourable terms for this service. The next such review is due by 31 December 2023.

The Investment Co-ordinator at Cartwright is paid on a time cost basis.

To enact this approach LCP now recommend the following:

Cashflow management policy:

- For any cash required for the regular pension payroll, disinvest from the following holdings in the following order:
  - 1/8% Jan 2024 fixed gilt GB00BMGR2791;
  - 2 1/2% July 2024 index-linked gilt GB0008983024; and
  - 5% Mar 2025 fixed gilt GB0030880693.

  LCP confirmed, in an e-mail dated 16 September, that this should be disinvested in order of maturity – the shortest first.

- For all other cashflows (including re-investment where applicable), apply such investments or disinvestments to the following gilt:
  - 5/8% Nov 2042 index-linked GB00B3MYD345

Future Reviews:
The cash flow matching investment strategy will be fully reviewed every three years. The next review is due no later than June 2025. The Trustee may consider bringing forward such a review if there is a significant change in the economic outlook. In particular, should long term inflation expectations change by more than 2% per annum, from the current 31 August 2022 rate of 3.85% per annum, based on the Bank of England published spot yields at duration 20 years – the duration of liabilities at the 2021 triennial valuation.

Signed for and on behalf of the Trustee of the Munich Re Group UK Plan

[Signature]

Date: 2022.11.29
9948341 Z

Name (Block capitals)
IAN DAVIES

30 November 2022
Appendix 1 – Responsibilities of the Investment Co-ordinator

The Investment Co-ordinator shall be responsible for:

- Taking action following Trustee investment decisions, providing valuations and month end reports, keeping the Trustee updated on Scheme assets to ensure smooth running of the Scheme and facilitate the provision of information to support Trustee decisions.
- Cross check and verify investment constituents showing progressive performance to aid the Trustee in managing the Scheme assets.
- Monitor the level of cash balance in the Trustee’s bank account at each month end to ensure that there is sufficient to meet regular liabilities and outgoings.
- Ensure that all transactions within the Trustee’s bank account are correct and in order.
- Monitor and check that dividend coupon income sums are accurate and paid on time.
- Carry out calculations of the number of stocks that need to be sold when a disinvestment is required to be made to meet an unanticipated outgoings or liabilities, such as a cash equivalent transfer value. This is done in accordance with recommendations made by LCP in September 2022, so that a (named) representative of the Reinsurance Controlling and Cash Management (UK) Department within Munich Re can instruct the deal on an execution only basis.
- Carry out a similar calculation to above, in order to ensure that there is sufficient liquidity within the Trustee’s bank account to meet regular cash flow requirements, liabilities and outgoings.
- Similarly, to act when there needs to be a reinvestment within the gilt portfolio.
- Carry out follow up action and reconciliation to ensure the accuracy and validity of the transaction having previously taken place.
- Be responsible for regular liaison and reporting of developments between the Trustee, the portfolio manager (Barclays Stockbrokers), the Reinsurance Controlling and Cash Management (UK) Department within Munich Re and the Scheme administrators and Actuarial Advisers, Cartwright and co-ordinate resultant requirements and actions. Ensure that all is in order with the management and operation of the Scheme assets.
- To calculate and provide investment performance related and valuation figure work for insertion into the Annual Pension Scheme Report and Accounts.
- To provide the Pension Scheme auditors with all the investment related information they require in connection with the drawing up and auditing of the annual report and accounts (sometimes via authorised internal accounting parties within Munich Re).
- To draft the investment report for insertion into the Annual Pension Scheme Report and Accounts.
Appendix 2 – Responsibilities of the Portfolio Manager (Barclays Stockbrokers)

- Clear and immediate enactment of instructions from the Trustee and/or Shared Accounting Function of Munich Re.
- Providing regular statements and valuations of assets held.
- Informing the Trustee of any changes in the internal operational or contractual matters impacting on the Scheme in a timely manner with reasonable notice.
- Ensuring the coupon dividend income is paid into the Trustee’s bank account on the day it falls due being the same day it is received at Barclays Stockbrokers.
- Investing income paid out of the Trustee’s bank account for investment purposes in a timely manner i.e. on the same day it is paid from the Barclays bank account.
- Reconciling the record assets held with those of the custodian.
- Producing contract notes promptly for verification of transactions following sales or purchases of gilt stock.
Appendix 3 – Responsibilities of the Custodian

- The safekeeping of all directly held assets of the Scheme.
- Undertaking all appropriate administration relating to assets of the Scheme.
- Processing all income with respect to the Scheme in a timely manner.
- Processing all tax reclaims in a timely manner.
- Investing cash in a suitable low risk manner consistent with the Trustee’s instructions and understanding.
- Reconciling records of assets held with those of the managers.
Appendix 4 – Procedure for Dis-investment or Re-Investment of Gilt Stock

1) Balance of Trustee’s bank account to be jointly monitored at the end of each calendar month by Shared Accounts and Scheme Administrator.

2) If the balance exceeds £700,000, Investment Co-ordinator to liaise with Reinsurance Controlling and Cash Management (UK) Department within Munich Re and if necessary Chairman of the Trustee.

3) At this stage, a check needs to be carried out with Cartwright to ensure that there are no arising outgoings needing to be paid out of the Trustee’s bank account.

4) Once it is confirmed an adjustment calculation is required, the Investment Co-ordinator is required to carry out the calculation.

5) The trade needs to be enacted between authorised individuals from Reinsurance Controlling and Cash Management (UK) Department within Munich Re and Barclays Stockbrokers in accordance with the previously agreed and applied process on an execution-only basis, when the balance has gone beyond £800,000.

6) The excess ‘free cash’ amount that can be traded should be a minimum of £100,000 to make the transaction practical and viable from an ‘economies of scale’ perspective.

The transaction can then be completed in accordance with LCP recommendations as follows:

For any cash required for the regular pension payroll, disinvest from the following holdings in the following order:

- 1/8% Jan 2024 fixed gilt GB00B8MGR2791;
- 2 1/2% July 2024 index-linked gilt GB0008983024; and
- 5% Mar 2025 fixed gilt GB0030880693.

For all other cash flows (including the re-investment of surplus cash) aim to maintain the average sensitivity of the overall liabilities as far as possible. This is around 20 years, based on the 2021 triennial valuation.

To enact this latter approach LCP recommended applying such investments e.g. to meet retirement benefits or cash equivalent transfer values and disinvestments to the following gilt:

- 5/8% Nov 2042 index-linked GB00B3MYD345